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Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Council Regulation (EC) No 73/2009 as regards the application of direct payments to farmers in respect of the year 2013

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

The Commission proposal for the Multiannual Financial Framework (MFF) for 2014-2020 (the MFF proposal)[1] sets the budgetary framework and main orientations for the Common Agricultural Policy (CAP). On this basis, the Commission presents a set of regulations laying down the legislative framework for the CAP in the period 2014-2020, together with an impact assessment of alternative scenarios for the evolution of the policy.

The current reform proposals are based on the Communication on the CAP towards 2020[2] that outlined broad policy options in order to respond to the future challenges for agriculture and rural areas and to meet the objectives set for the CAP, namely 1) viable food production; 2) sustainable management of natural resources and climate action; and 3) balanced territorial development. The reform orientations in the Communication have since been broadly supported both in the inter-institutional debate[3] and in the stakeholder consultation that took place in the framework of the impact assessment.

A common theme that has emerged throughout this process is the need to promote resource efficiency with a view to smart, sustainable and inclusive growth for EU agriculture and rural areas in line with the Europe 2020 strategy, keeping the structure of the CAP around two pillars that use complementary instruments in pursuit of the same objectives. Pillar I covers direct payments and market measures providing a basic annual income support to EU farmers and support in case of specific market disturbances, while Pillar II covers rural development where Member States draw up and co-finance multiannual programmes under a common framework.[4]

Through successive reforms the CAP has increased market orientation for agriculture while providing income support to producers, improved the integration of environmental requirements and reinforced support for rural development as an integrated policy for the development of rural areas across the EU. However, the same reform process has raised demands for a better distribution of support among and within Member States, as well as calls for a better targeting of measures aiming at addressing environmental challenges and better addressing increased market volatility.

In the past, reforms mainly responded to endogenous challenges, from huge surpluses to food safety crises; they have served the EU well both on the domestic and the international front. However, most of today's challenges are driven by factors that are external to agriculture and would thus require a broader policy response.

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1 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions *A budget for Europe 2020*, COM(2011)500 final, 29.6.2011.

2 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions *The CAP towards 2020: meeting the food, natural resources and territorial challenges of the future*, COM(2010)672 final, 18.11.2010.

3 See in particular the European Parliament resolution of 23 June 2011, 2011/2015(INI), and the Presidency conclusions of 18.3.2011.

4 The current legislative framework comprises Council Regulation (EC) No 73/2009 (direct payments), Council Regulation (EC) No 1234/2007 (market instruments), Council Regulation (EC) No 1698/2005 (rural development) and Council Regulation (EC) No 1290/2005 (financing).

The pressure on agricultural income is expected to continue as farmers are facing more risks, a slowdown in productivity and a margin squeeze due to rising input prices; there is therefore a need to maintain income support and to reinforce instruments to better manage risks and respond to crisis situations. A strong agriculture is vital for the EU food industry and global food security.

At the same time, agriculture and rural areas are being called upon to step up their efforts to meet the ambitious climate and energy targets and biodiversity strategy that are part of the Europe 2020 agenda. Farmers, who are together with foresters the main land managers, will need to be supported in adopting and maintaining farming systems and practices that are particularly favourable to environmental and climate objectives because market prices do not reflect the provision of such public goods. It will also be essential to best harness the diverse potential of rural areas and thus contribute to inclusive growth and cohesion.

The future CAP will not, therefore, be a policy that caters only for a small, albeit essential, part of the EU economy, but also a policy of strategic importance for food security, the environment and territorial balance. Therein lies the EU added value of a truly common policy that makes the most efficient use of limited budgetary resources in maintaining a sustainable agriculture throughout the EU, addressing important cross-border issues such as climate change and reinforcing solidarity among Member States, while also allowing flexibility in implementation to cater for local needs.

The framework set out in the MFF proposal foresees that the CAP should maintain its two-pillar structure with the budget for each pillar maintained in nominal terms at its 2013 level and with a clear focus on delivering results on the key EU priorities. Direct payments should promote sustainable production by assigning 30 % of their budgetary envelope to mandatory measures that are beneficial to climate and the environment. Payment levels should progressively converge and payments to large beneficiaries be subject to progressive capping. Rural development should be included in a Common Strategic Framework with other EU shared management funds with a reinforced outcome-orientated approach and subject to clearer, improved ex-ante conditionalities. Finally, on market measures the financing of the CAP should be reinforced with two instruments outside the MFF: 1) an emergency reserve to react to crisis situations; and 2) the extension of the scope of the European Globalization Adjustment Fund.

On this basis, the main elements of the legislative framework for the CAP during the period 2014-2020 are set out in the following regulations:

– Proposal for a Regulation of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy ('the direct payments regulation');

– Proposal for a Regulation of the European Parliament and of the Council establishing a common organisation of the markets in agricultural products (Single CMO Regulation) ('the Single CMO regulation');

– Proposal for a Regulation of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) ('the rural development regulation');

– Proposal for a Regulation of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy ('the horizontal regulation');

– Proposal for a Council regulation determining measures on fixing certain aids and refunds related to the common organisation of the markets in agricultural products;

– Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 73/2009 as regards the application of direct payments to farmers in respect of the year 2013;

– Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 1234/2007 as regards the regime of the single payment scheme and support to vine-growers.

The rural development regulation builds on the proposal presented by the Commission on 6 October 2011 that sets out common rules for all funds operating under a Common Strategic Framework[5]. A regulation will follow on the scheme for most deprived persons, for which funding is now placed under a different heading of the MFF.

In addition, new rules on the publication of information on beneficiaries taking account of the objections expressed by the Court of Justice of the European Union are also under preparation with a view to finding the most appropriate way to reconcile beneficiaries' right to protection of personal data with the principle of transparency.

2. RESULTS OF CONSULTATIONS WITH THE INTERESTED PARTIES AND IMPACT ASSESSMENT

On the basis of the evaluation of the current policy framework and an analysis of future challenges and needs, the impact assessment assesses and compares the impact of three alternative scenarios. This is the result of a long process started in April 2010 and steered by an inter-service group that brought together extensive quantitative and qualitative analysis, including setting a baseline in the form of medium-term projections for agricultural markets and income up to 2020 and modelling the impact of the different policy scenarios on the economics of the sector.

The three scenarios elaborated in the impact assessment are: 1) an adjustment scenario that continues with the current policy framework while addressing its most important shortcomings, such as the distribution of direct payments; 2) an integration scenario that entails major policy changes in the form of enhanced targeting and greening of direct payments and reinforced strategic targeting for rural development policy in better coordination with other EU policies, as well as extending the legal base for a broader scope of producer cooperation; and 3) a refocus scenario that reorients the policy exclusively towards the environment with a progressive phasing out of direct payments, assuming that productive

[5] Proposal for a Regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1083/2006, COM(2011)615 of 6.10.2011.

capacity can be maintained without support and that the socio-economic needs of rural areas can be served by other policies.

Against the background of the economic crisis and the pressure on public finances, to which the EU has responded with the Europe 2020 strategy and the MFF proposal, all three scenarios attach different weight to each of the three policy objectives of the future CAP which aims at a more competitive and sustainable agriculture in vibrant rural areas. With a view to a better alignment with the Europe 2020 strategy, notably in terms of resource efficiency, it will be increasingly essential to improve agricultural productivity through research, knowledge transfer and promoting cooperation and innovation (including through the European Innovation Partnership on agricultural productivity and sustainability). Whereas EU agricultural policy does not any more operate within a trade distorting policy environment, additional pressure on the sector is expected from further liberalization, notably in the framework of the DDA or the FTA with Mercosur.

The three policy scenarios were drawn up taking into account the preferences expressed in the consultation which was conducted in the context of the impact assessment. Interested parties were invited to submit contributions between 23.11.2010 and 25.1.2011 and an advisory committee was organised on 12.1.2011. The main points are summarized below:[6]

– There is broad agreement among stakeholders on the need for a strong CAP based on a two-pillar-structure in order to address the challenges of food security, sustainable management of natural resources and territorial development.

– Most respondents find that the CAP should play a role in stabilizing markets and prices.

– Stakeholders have diverse opinions concerning the targeting of support (especially redistribution of direct aid and capping payments).

– There is agreement that both pillars can play an important role in stepping up climate action and increasing environmental performance for the benefit of EU society. Whereas many farmers believe that this already takes place today, the wider public argues that Pillar I payments can be more efficiently used.

– The respondents want all parts of the EU, including less favoured areas, to be part of future growth and development.

– The integration of the CAP with other policies, such as environmental, health, trade, development, was emphasised by many respondents.

– Innovation, development of competitive businesses and provision of public goods to EU citizens are seen as ways to align the CAP with the Europe 2020 strategy.

The impact assessment thus compared the three alternative policy scenarios:

The refocus scenario would accelerate structural adjustment in the agricultural sector, shifting production to the most cost efficient areas and profitable sectors. While significantly increasing funding for the environment, it would also expose the sector to greater risks due to limited scope for market intervention. Furthermore, it would come at a significant social and

[6] See Annex 9 of the impact assessment for an overview of the 517 contributions received.

environmental cost as the less competitive areas would face a considerable income loss and environmental degradation, since the policy would lose the leverage of direct payments coupled with the cross compliance requirements.

At the other end of the spectrum, the adjustment scenario would best allow for policy continuity with limited but tangible improvements both in agricultural competitiveness and environmental performance. There are however serious doubts as to whether this scenario could adequately address the important climate and environmental challenges of the future, which also underpin the long-term sustainability of agriculture.

The integration scenario breaks new ground with enhanced targeting and greening of direct payments. The analysis shows that greening is possible at a reasonable cost to farmers although some administrative burden cannot be avoided. Similarly, a new impetus in rural development is possible provided that the new possibilities are efficiently used by Member States and regions and that the common strategic framework with the other EU funds does not remove synergies with Pillar I or weaken rural development's distinctive strengths. If the right balance is struck, this scenario would best address the long term sustainability of agriculture and rural areas.

On this basis the impact assessment concludes that the integration scenario is the most balanced in progressively aligning the CAP with the EU's strategic objectives and this balance is also found in the implementation of the different elements in the legislative proposals. It will also be essential to develop an evaluation framework to measure the performance of the CAP with a common set of indicators linked to policy objectives.

Simplification has been an important consideration throughout the process and should be enhanced in a variety of ways, for instance in the streamlining of cross compliance and market instruments, or the design of the small farmers scheme. In addition, the greening of direct payments should be designed in such a way as to minimize administrative burden including the costs of controls.

3. LEGAL ELEMENTS OF THE PROPOSAL

It is proposed to maintain the current structure of the CAP in two pillars with annual mandatory measures of general application in Pillar I complemented by voluntary measures better tailored to national and regional specificities under a multi-annual programming approach in Pillar II. However, the new design of direct payments seeks to better exploit synergies with Pillar II, which is in turn placed under a Common Strategic Framework to better coordinate with other EU shared management funds.

On this basis, the current structure of four basic legal instruments is also maintained, albeit with the scope of the financing regulation enlarged to bring together common provisions into what is now called the horizontal regulation.

The proposals comply with the principle of subsidiarity. The CAP is a truly common policy: it is an area of shared competence between the EU and the Member States that is being handled at EU level with a view to maintaining a sustainable and diverse agriculture throughout the EU, addressing important cross-border issues such as climate change and reinforcing solidarity among Member States. In the light of the importance of future challenges for food security, the environment and territorial balance, the CAP remains a policy of strategic importance to ensure the most effective response to the policy challenges and the most efficient use of budgetary resources. In addition, it is proposed to maintain the current structure of instruments in two pillars where Member States have more leeway to tailor solutions to their local specificities and also co-finance Pillar II. The new European Innovation Partnership and risk management toolkit are also placed within Pillar II. At the same time the policy will be better aligned with the Europe 2020 strategy (including a common framework with other EU funds) and a number of improvements and simplification elements introduced. Finally, the analysis carried out in the framework of the impact assessment clearly shows the cost of no action in terms of negative economic, environmental and social consequences.

In view of the application of the direct payments regulation as from 1 January 2014, this regulation sets net ceilings for direct payments for the calendar year 2013 by establishing an adjustment mechanism similar to modulation so as to ensure continuity in payment levels while taking into account the phasing in of new Member States.

4. BUDGETARY IMPLICATION

The MFF proposal provides that a significant part of the EU budget should continue to be dedicated to agriculture, which is a common policy of strategic importance. Thus, in current prices, it is proposed that the CAP should focus on its core activities with EUR 317.2 billion allocated to Pillar I and EUR 101.2 billion to Pillar II over the 2014-2020 period.

The Pillar I and Pillar II funding is complemented by additional funding of EUR 17.1 billion consisting of EUR 5.1 billion for research and innovation, EUR 2.5 billion for food safety and EUR 2.8 billion for food support for the most deprived persons in other headings of the MFF, as well as of EUR 3.9 billion in a new reserve for crises in the agricultural sector and up to EUR 2.8 billion in the European Globalization Adjustment Fund outside the MFF, thus bringing the total budget to EUR 435.6 billion over the 2014-2020 period.

As regards distribution of support among Member States, it is proposed that all Member States with direct payments below 90% of the EU average will see one third of this gap closed. The national ceilings in the direct payments regulation are calculated on this basis.

The distribution of rural development support is based on objective criteria linked to the policy objectives taking into account the current distribution. As is the case today, less developed regions should continue to benefit from higher co-financing rates, which will also apply to certain measures such as knowledge transfer, producer groups, cooperation and Leader.

Some flexibility for transfers between pillars is introduced (up to 5% of direct payments): from Pillar I to Pillar II to allow Member States to reinforce their rural development policy, and from Pillar II to Pillar I for those Member States where the level of direct payments remains below 90% of the EU average.

Details on the financial impact of the CAP reform proposals are set out in the financial statement accompanying the proposals.

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amending Council Regulation (EC) No 73/2009 as regards the application of direct payments to farmers in respect of the year 2013

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 43(2) thereof,

Having regard to the proposal from the European Commission[7],

After transmission of the draft legislative act to the national Parliaments,

Having regard to the opinion of the European Economic and Social Committee[8],

Having regard to the opinion of the Committee of the Regions[9],

Acting in accordance with the ordinary legislative procedure,

Whereas:

(1) The support schemes provided for in Regulation (EU) No of the European Parliament and of the Council establishing rules for direct payment to farmers under support schemes within the framework of the common agricultural policy [10] [new CAP Regulation] are to apply from 1 January 2014. This means that Council Regulation (EC) No 73/2009 of 19 January 2009 establishing common rules for direct support schemes for farmers under the common agricultural policy and establishing certain support schemes for farmers, amending Regulations (EC) No 1290/2005, (EC) No 247/2006, (EC) No 378/2007 and repealing Regulation (EC) No 1782/2003[11] should continue to form the basis to grant income support for farmers in calendar year 2013.

(2) Regulation (EC) No 73/2009 has established a system of compulsory, progressive reduction of direct payments ('modulation') including an exemption of direct payments of up to EUR 5 000 to be applicable until calendar year 2012. As a consequence, the total net amounts of direct payments ('net ceilings') which may be granted in a Member State after application of

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[7] OJ C , , p. .
[8] OJ C , , p. .
[9] OJ C , , p. .
[10] OJ C , , p. .
[11] OJ L 30, 31.1.2009, p. 16.

modulation have been fixed until calendar year 2012. In order to maintain the amount of direct payments in calendar year 2013 on a level similar to that of 2012, however with due account taken to phasing-in in the new Member States, it is appropriate to establish an adjustment mechanism for 2013 having an equivalent effect to that of the modulation and the net ceilings. Due to the specificities of the support in the outermost regions under the common agricultural policy, such adjustment mechanism should not be applied to farmers in those regions.

(3) For the smooth functioning of direct payments in calendar year 2013, it is necessary to extend the net ceilings set out for calendar year 2012 to 2013 and adjust them where necessary, in particular as regards the increases resulting from the phasing-in of direct payments in the new Member States and the cessation of voluntary modulation provided for in Council Regulation (EC) No 378/2007 of 27 March 2007 laying down rules for voluntary modulation of direct payments provided for in Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers[12] .

(4) According to the phasing-in mechanism provided for in the Act of Accession of 2005, the level of direct payments in Bulgaria and Romania continues to be below the level of direct payments applicable in the other Member States in 2013 after application of the adjustment of payments to farmers in the transitional period. Therefore, the adjustment mechanism should not apply to farmers in Bulgaria and Romania.

(5) The financial transfers to the European Agricultural Fund for Rural Development provided for in Articles 134, 135 and 136 of Regulation (EC) No 73/2009 relate to the 2007-2013 multi-annual financial perspectives. However, calendar year 2013 corresponds to financial year 2014 falling under the next multi-annual financial framework which permanently sets out the amounts available for rural development programming. Consequently, such financial transfers should be abolished.

(6) Regulation (EC) No 73/2009 should therefore be amended accordingly,

HAVE ADOPTED THIS REGULATION:

Article 1

Regulation (EC) No 73/2009 is amended as follows:

(1) Article 8 is amended as follows:

(a) paragraph 1 is replaced by the following:

"1. Without prejudice to Article 11 of this Regulation, the total net amounts of direct payments which may be granted in a Member State in respect of any calendar year before 2013 after application of Articles 7 and 10 of this Regulation and Article 1 of Regulation (EC) No 378/2007 or in calendar year 2013 after application of Article 10a of this Regulation, and with the exception of direct payments granted under Regulations

[12] OJ L 95, 5.4.2007, p. 1.

(EC) No 247/2006 and (EC) No 1405/2006 shall not be higher than the ceilings set out in Annex IV to this Regulation. Where necessary, Member States shall make a linear reduction in the amounts of direct payments which are subject to the reduction provided for in Articles 7 and 10 of this Regulation and Article 1 of Regulation (EC) No 378/2007 in respect of any calendar year before 2013 or in Article 10a of this Regulation in respect of calendar year 2013, in order to comply with the ceilings set out in Annex IV to this Regulation."

(b) in paragraph 2, point (d) is deleted.

(2) The following Article 10*a* is inserted:

"Article 10a

Adjustment of direct payments in 2013

1. Any amount of direct payments to be granted in calendar year 2013 to a farmer in excess of EUR 5 000 shall be reduced by 10 %.

2. The reduction provided for in paragraph 1 shall be increased by 4 percentage points for amounts exceeding EUR 300 000.

3. Paragraphs 1 and 2 shall not apply to direct payments granted to farmers in Bulgaria and in Romania and in the French overseas departments, in the Azores and Madeira, in the Canary Islands and in the Aegean Islands.

4. By way of derogation from paragraph 1, the reduction referred to in that paragraph shall be set at 0 % for new Member States other than Bulgaria and Romania."

(3) In Article 11(1), the following subparagraph is added:

"However, in financial year 2014, the adjustment referred to in the first subparagraph shall be determined taking into account the forecasts for the financing of the measures under heading 2 of Annex I to the Interinstitutional Agreement referred to in the first subparagraph before the adjustment of direct payments provided for in Article 10a but without taking into account the margin of EUR 300 000 000."

(4) In Article 11*a* the following paragraph 3 is added:

"3. In order to ensure an optimal implementation of the adjustment of direct payments in 2013 and financial discipline, the Commission may, by means of delegated acts, adopt rules concerning the basis of calculation for reductions to be applied to the farmers by the Member States due to the adjustment of payments in 2013 and financial discipline as provided for in Articles 10*a* and 11."

(5) Articles 134, 135 and 136 are deleted.

(6) In Annex IV, the following column is added:

"2013
569
903
964,3
5 372,2
101,2
1 255,5
2 344,5
5 055,2
7 853,1
4 128,3
53,5
146,4
379,8
34,7
1 313,1
5,5
830,6
715,7
3 043,4
566,6
144,3
385,6
539,2
717,5

3 650"

Article 2

This Regulation shall enter into force on the [seventh] day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 1 January 2013.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament *The President*	*For the Council* *The President*

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

- Proposal for a Regulation of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy; - Proposal for a Regulation of the European Parliament and of the Council establishing a common organisation of the markets in agricultural products (Single CMO Regulation); - Proposal for a Regulation of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD); - Proposal for a Regulation of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy; - Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 73/2009 as regards the application of direct payments to farmers in respect of the year 2013; - Proposal for a Council Regulation determining measures on fixing certain aids and refunds related to the common organisation of the markets in agricultural products; - Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 1234/2007 as regards the regime of the single payment scheme and support to vine-growers.

1.2. Policy area(s) concerned in the ABM/ABB structure[13]

Policy Area Title 05 of Heading 2

1.3. Nature of the proposal/initiative (Legislative framework for the CAP post 2013)

x The proposal/initiative relates to **a new action**

☐ The proposal/initiative relates to **a new action following a pilot project/preparatory action**[14]

x The proposal/initiative relates to **the extension of an existing action**

x The proposal/initiative relates to **an action redirected towards a new action**

[13] ABM: Activity-Based Management – ABB: Activity-Based Budgeting.

[14] As referred to in Article 49(6)(a) or (b) of the Financial Regulation.

1.4. Objectives

1.4.1. The Commission's multiannual strategic objective(s) targeted by the proposal/initiative

In order to promote resource efficiency with a view to smart, sustainable and inclusive growth for EU agriculture and rural development in line with the Europe 2020 Strategy, the objectives of the CAP are:

- Viable food production;

- Sustainable management of natural resources and climate action;

- Balanced territorial development.

1.4.2. Specific objective(s) and ABM/ABB activity(ies) concerned

Specific objectives for Policy area 05:

Specific objective No 1:

To provide environmental public goods

Specific objective No 2:

To compensate for production difficulties in areas with specific natural constraints

Specific objective No 3:

To pursue climate change mitigation and adaptation actions

Specific objective No 4:

To manage the EU budget (CAP) in accordance with high standards of financial management

Specific objective for ABB 05 02 - Interventions in agricultural markets:

Specific objective No 5:

To improve the competitiveness of the agricultural sector and enhance its value share in the food chain

Specific objective for ABB 05 03 - Direct aids:

Specific objective No 6:

To contribute to farm incomes and limit farm income variability

Specific objectives for ABB 05 04 – Rural development:

Specific objective No 7

To foster green growth through innovation

Specific objective No 8:

To support rural employment and maintain the social fabric of rural areas

Specific objective No 9

To improve the rural economy and promote diversification

Specific objective No 10

To allow for structural diversity in farming systems

1.4.3. *Expected result(s) and impact*

It is not possible to set quantitative targets for impact indicators at this stage. Although the policy can steer in a certain direction, the broad economic, environmental and social outcomes measured by such indicators would ultimately also depend on the impact from a range of external factors, which recent experience indicates have become significant and unpredictable. Further analysis is on-going, to be ready for the period post-2013.

As regards the direct payments, Member States will have the possibility to decide, to a limited degree, on the implementation of certain components of the direct payment schemes.

For rural development, the expected results and impact will depend on the rural development programmes that Member States will submit to the Commission. Member States will be asked to set targets in their programmes.

1.4.4. *Indicators of results and impact*

The proposals provide for the establishment of a common monitoring and evaluation framework with a view to measuring the performance of the Common Agricultural Policy. That framework shall include all instruments related to the monitoring and evaluation of CAP measures and in particular of the direct payments, market measures, rural development measures and of the application of cross compliance.

The impact of these CAP measures shall be measured in relation to the following objectives:

(a) viable food production, with a focus on agricultural income, agricultural productivity and price stability;

(b) sustainable management of natural resources and climate action, with a focus on greenhouse gas emissions, biodiversity, soil and water;

(c) balanced territorial development, with a focus on rural employment, growth and poverty in rural areas.

By means of implementing acts, the Commission shall define the set of indicators specific to these objectives and areas.

Moreover, as regards rural development, a reinforced common monitoring and evaluation system is proposed. That system aims (a) to demonstrate the progress and achievements of rural development policy and assess the impact, effectiveness, efficiency and relevance of rural development policy interventions, (b) to contribute to better targeted support for rural development, and (c) to support a common learning process related to monitoring and evaluation. The Commission will establish, by means of implementing act, a list of common indicators linked to the policy priorities.

1.5. Grounds for the proposal/initiative

1.5.1. Requirement(s) to be met in the short or long term

In order to meet the multi-annual strategic objectives of the CAP which are a direct translation of the Europe 2020 strategy for European rural areas and to fulfil the relevant requirements of the Treaty, the proposals aim to lay down the legislative framework for the Common Agricultural Policy for the period after 2013.

1.5.2. Added value of EU involvement

The future CAP will not only be a policy that caters for a small, albeit essential, part of the EU economy, but also a policy of strategic importance for food security, the environment and territorial balance. Thus, the CAP, as a truly common policy, makes the most efficient use of limited budgetary resources in maintaining a sustainable agriculture throughout the EU, addressing important cross-border issues such as climate change and reinforcing solidarity among Member States.

As mentioned in the Commission communication "A Budget for Europe 2020"[15], the CAP is a genuinely European policy. Instead of operating 27 separate agricultural policies and budgets, Member States pool resources to operate a single European policy with a single European budget. This naturally means that the CAP accounts for a significant proportion of the EU budget. However, this approach is both more efficient and economical than an uncoordinated national approach.

1.5.3. Lessons learned from similar experiences in the past

On the basis of the evaluation of the current policy framework, an extensive consultation with stakeholders as well as an analysis of future challenges and needs, a comprehensive impact assessment has been carried out. More details can be found in the impact assessment and the explanatory memorandum that are accompanying the legal proposals.

[15] COM(2011)500 final of 29 June 2011.

1.5.4. *Coherence and possible synergy with other relevant instruments*

The legislative proposals concerned by this financial statement should be seen in the broader context of the proposal for a single framework regulation with common rules for the common strategic framework funds (EAFRD, ERDF, ESF, Cohesion Fund and EMFF). That framework regulation will make an important contribution to reducing administrative burden, to spending EU funds in an effective way, and to put simplification into practice. This also underpins the new concepts of the common strategic framework for all these funds and the upcoming Partnership Contracts which will also cover these funds.

The common strategic framework, which will be established, will translate the objectives and priorities of the Europe 2020 Strategy into priorities for the EAFRD together with the ERDF, ESF, Cohesion Fund and EMFF, which will ensure an integrated use of the funds to deliver common objectives.

The common strategic framework will also set out coordination mechanisms with other relevant Union policies and instruments.

Moreover, as regards the CAP, significant synergies and simplification effects will be obtained by harmonising and aligning the management and control rules for the first (EAGF) and second (EAFRD) pillar of the CAP. The strong link between the EAGF and the EAFRD should be maintained and the structures already in place in the Member States be sustained.

1.6. Duration and financial impact

x Proposal/initiative of **limited duration (for the draft regulations on direct payment schemes, rural development and transitional regulations)**

– x Proposal/initiative in effect from 01/01/2014 to 31/12/2020

– x Financial impact for the period of the next multi-annual financial framework. For rural development, impact on payments to 2023.

x Proposal/initiative of **unlimited duration (for the draft regulation on the single CMO and the horizontal regulation)**

– Implementation from 2014.

1.7. Management mode(s) envisaged[16]

x **Centralised direct management** by the Commission

☐ **Centralised indirect management** with the delegation of implementation tasks to:

– ☐ executive agencies

– ☐ bodies set up by the Communities[17]

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[16] Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: http://www.cc.cec/budg/man/budgmanag/budgmanag_en.html

– ☐ national public-sector bodies/bodies with public-service mission

– ☐ persons entrusted with the implementation of specific actions pursuant to Title V of the Treaty on European Union and identified in the relevant basic act within the meaning of Article 49 of the Financial Regulation

x **Shared management** with the Member States

☐ **Decentralised management** with third countries

☐ **Joint management** with international organisations ***(to be specified)***

Comments

No substantive change compared to the present situation, i.e. the bulk of expenditure concerned by the legislative proposals on the CAP reform will be managed by shared management with the Member States. However, a very minor part will continue to fall under centralised direct management by the Commission.

[17] As referred to in Article 185 of the Financial Regulation.

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

In terms of monitoring and evaluation of the CAP, the Commission will present a report to the European Parliament and the Council every 4 years, with the first report to be presented not later than end 2017.

This is complemented by specific provisions in all areas of the CAP, with various comprehensive reporting and notifications requirements to be specified in the implementing rules.

As regards rural development, rules are also provided for monitoring at programme level, which will be aligned with the other funds, and which will be coupled with ex ante, on-going and ex post evaluations.

2.2. Management and control system

2.2.1. Risk(s) identified

There are more than seven million beneficiaries of the CAP, receiving support under a large variety of different aid schemes, each of which having detailed and sometimes complex eligibility criteria.

The reduction in the error rate in the domain of the common agricultural policy can already be considered as a trend. Thus, most recently an error rate close to 2% confirms the overall positive assessment of previous years. It is the intention to continue the efforts in order to achieve an error rate below 2%.

2.2.2. Control method(s) envisaged

The legislative package, in particular the proposal for the regulation on the financing, management and monitoring of the common agricultural policy, envisages maintaining and reinforcing the current system established by Regulation (EC) No 1290/2005. It provides for a compulsory administrative structure at Member State level, centred around accredited paying agencies, which are responsible for carrying out controls at final beneficiary level in accordance with the principles set out under point 2.3. Every year, the head of each paying agency is required to provide a statement of assurance which covers the completeness, accuracy and veracity of the accounts, the proper functioning of the internal control systems and the legality and regularity of the underlying transactions. An independent audit body is required to provide an opinion on all these three elements.

The Commission will continue to audit agricultural expenditure, using a risk-based approach in order to ensure that its audits are targeted to the areas of highest risk. Where these audits reveal that expenditure has been incurred in breach of Union rules, it will exclude the amounts concerned from Union financing under the conformity clearance system.

As regards the cost of controls, a detailed analysis is provided in annex 8 to the impact assessment accompanying the legislative proposals.

2.3. Measures to prevent fraud and irregularities

The legislative package, in particular the proposal for the regulation on the financing, management and monitoring of the common agricultural policy, envisages maintaining and reinforcing the current detailed systems for controls and penalties to be applied by the paying agencies, with common basis features and special rules tailored to the specificities of each aid regime. The systems generally provide for exhaustive administrative controls of 100% of the aid applications, cross-checks with other databases where this is considered appropriate as well as pre-payment on-the-spot checks of a minimum number of transactions, depending on the risk associated with the regime in question. If these on-the-spot checks reveal a high number of irregularities, additional checks must be carried out. In this context, the by far most important system is the Integrated Administration and Control System (IACS), which in financial year 2010 covered around 80% of total expenditure under the EAGF and the EAFRD. For Member States with properly functioning control systems and low error rates, the Commission will be empowered to allow for a reduction of the number of on-the-spot checks.

The package further envisages that Member States shall prevent, detect and correct irregularities and fraud, impose effective, dissuasive and proportionate penalties as laid down in Union legislation or national law, and recover any irregular payments plus interests. It includes an automatic clearance mechanism for irregularity cases, which provides that if recovery has not taken place within four years of the date of the recovery request, or within eight years in the case of legal proceedings, the amounts not recovered shall be borne by the Member State concerned. This mechanism will be a strong incentive for Member States to recover irregular payments as quickly as possible.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

The amounts indicated in this financial statement are expressed in current prices and in commitments.

In addition to the changes resulting from the legislative proposals as listed in the accompanying tables below, the legislative proposals imply further changes which have no financial impact.

For any of the years in the period 2014-2020, the application of financial discipline cannot be excluded at this stage. However, this will not depend on the reform proposals as such, but on other factors, such as the execution of direct aids or future developments in the agricultural markets.

As concerns direct aids, the extended net ceilings for 2014 (calendar year 2013) included in the proposal regarding transition are higher than the amounts allocated to direct aids indicated in the accompanying tables. The purpose of this extension is to ensure a continuation of the existing legislation in a scenario in which all the other elements would remain unchanged, without prejudice to the possible need for applying the financial discipline mechanism.

The reform proposals contain provisions giving Member States a set degree of flexibility in relation to their allocation of direct aids respectively rural development. In case Member States decide to use that flexibility, this will have financial consequences within the given financial amounts, which cannot be quantified at this stage.

This financial statement does not take into account the possible use of the crises reserve. It should be underlined that the amounts taken into account for market-related expenditure are based on no public intervention buying-in and other measures related to a crisis situation in any sectors.

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

Table 1: Amounts for the CAP including complementary amounts foreseen in the MFF proposals and the CAP reform proposals

In million EUR (current prices)

Budget year	2013	2013 adjusted (1)	2014	2015	2016	2017	2018	2019	2020	TOTAL 2014-2020
Inside MFF										
Heading 2										
Direct aids and market-related expenditure (2) (3) (4)	44 939	45 304	44 830	45 054	45 299	45 519	45 508	45 497	45 485	317 193
Estimated assigned revenue	672	672	672	672	672	672	672	672	672	4 704
P1 Direct aids and market-related expenditure (with assigned revenue)	45 611	45 976	45 502	45 726	45 971	46 191	46 180	46 169	46 157	321 897
P2 Rural development (4)	14 817	14 451	14 451	14 451	14 451	14 451	14 451	14 451	14 451	101 157
Total	60 428	60 428	59 953	60 177	60 423	60 642	60 631	60 620	60 608	423 054
Heading 1										
CSF Agricultural research and innovation	N.A.	N.A.	682	696	710	724	738	753	768	5 072
Most deprived persons	N.A.	N.A.	379	387	394	402	410	418	427	2 818
Total	N.A.	N.A.	1 061	1 082	1 104	1 126	1 149	1 172	1 195	7 889
Heading 3										
Food safety	N.A.	N.A.	350	350	350	350	350	350	350	2 450
Outside MFF										
Reserve for agricultural crises	N.A.	N.A.	531	541	552	563	574	586	598	3 945
European Globalisation Fund (EGF)										
Of which maximum available for agriculture: (5)	N.A.	N.A.	379	387	394	402	410	418	427	2 818
TOTAL										
TOTAL Commission proposals (MFF + outside MFF) + assigned revenue	60 428	60 428	62 274	62 537	62 823	63 084	63 114	63 146	63 177	440 156
TOTAL MFF proposals (i.e. excluding Reserve and EGF) + assigned revenue	60 428	60 428	61 364	61 609	61 877	62 119	62 130	62 141	62 153	433 393

Notes:

(1) Taking into account legislative changes already agreed, i.e. voluntary modulation for the UK and Article 136 "unspent amounts" will cease to apply by the end of 2013.

(2) The amounts relate to the proposed annual ceiling for the first pillar. However, it should also be noted that it is proposed to move negative expenditure from accounting clearance (currently under budget item 05 07 01 06) to assigned revenue (under item 67 03). For details, see estimated revenue table on the page below.

(3) The 2013 figures include the amounts for veterinary and phytosanitary measures as well as market measures for the fisheries sector.

(4) The amounts in the table above are in line with those in the Commission communication "A Budget for Europe 2020" (COM(2011)500 final of 29 June 2011). However, it remains to be decided if the MFF will reflect the transfer that is proposed for the envelope of one Member State of the cotton national restructuring programme to rural development as from 2014, implying an adjustment (4 million EUR per year) of the amounts for respectively the EAGF sub-ceiling and for pillar 2. In the tables in the sections below, the amounts have been transferred, irrespective of them being reflected in the MFF.

(5) In accordance with the Commission communication "A Budget for Europe 2020" (COM(2011)500 final), a total amount of up to 2.5 billion EUR in 2011 prices will be available under the European Globalisation Fund for providing additional support to farmers suffering from effects of globalisation. In the table above, the breakdown by year in current prices is only **indicative**. The proposal for the inter-institutional agreement between the European Parliament, the Council and the Commission on cooperation in budgetary matters and on sound financial management (COM(2011)403 final of 29 June 2011) sets out, for the EGF, an overall maximum annual amount of 429 million EUR in 2011 prices.

3.2. Estimated impact on expenditure

3.2.1. Summary of estimated impact on expenditure

Table 2: Estimated revenue as well as expenditure for Policy Area 05 within Heading 2

In million EUR (current prices)

Budget year	2013	2013 adjusted	2014	2015	2016	2017	2018	2019	2020	TOTAL 2014-2020
REVENUE										
123 – Sugar production charge (own resources)	123	123	123	123						246
67 03 - Assigned revenue	672	672	741	741	741	741	741	741	741	5 187
of which: ex 05 07 01 06 - Accounting clearance	0	0	69	69	69	69	69	69	69	483
Total	**795**	**795**	**864**	**864**	**741**	**741**	**741**	**741**	**741**	**5 433**
EXPENDITURE										
05 02 - Markets (1)	**3 311**	**3 311**	**2 622**	**2 641**	**2 670**	**2 699**	**2 722**	**2 710**	**2 699**	**18 764**
05 03 - Direct aids (before capping) (2)	42 170	42 535	42 876	43 081	43 297	43 488	43 454	43 454	43 454	303 105
05 03 – Direct aids (after capping)	**42 170**	**42 535**	**42 876**	**42 917**	**43 125**	**43 303**	**43 269**	**43 269**	**43 269**	**302 027**
05 04 - Rural development (before capping)	14 817	14 451	14 455	14 455	14 455	14 455	14 455	14 455	14 455	101 185
05 04 - Rural development (after capping)	**14 817**	**14 451**	**14 455**	**14 619**	**14 627**	**14 640**	**14 641**	**14 641**	**14 641**	**102 263**
05 07 01 06 - Accounting clearance	**-69**	**-69**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**60 229**	**60 229**	**59 953**	**60 177**	**60 423**	**60 642**	**60 631**	**60 620**	**60 608**	**423 054**
NET BUDGET after assigned revenue			**59 212**	**59 436**	**59 682**	**59 901**	**59 890**	**59 879**	**59 867**	**417 867**

Notes:

(1) For 2013, preliminary estimate based on Draft Budget 2012 taking into account legal adjustments already agreed for 2013 (e.g. wine ceiling, abolition of potato starch premium, dried fodder) as well as some foreseen developments. For all years, the estimates assume that there will be no additional financing need for support measures due to market disturbances or crises.

(2) The 2013 amount includes an estimate of wine grubbing-up 2012.

Table 3: Calculation of the financial impact by budget chapter of the CAP reform proposals as regards revenue and CAP expenditure

In million EUR (current prices)

Budget year	2013	2013 adjusted	2014	2015	2016	2017	2018	2019	2020	TOTAL 2014-2020
REVENUE										
123 – Sugar production charge (own resources)	123	123	0	0	0	0	0	0	0	0
67 03 - Assigned revenue	672	672	69	69	69	69	69	69	69	483
of which: ex 05 07 01 06 - Accounting clearance	0	0	69	69	69	69	69	69	69	483
Total	**795**	**795**	**69**	**69**	**69**	**69**	**69**	**69**	**69**	**483**
EXPENDITURE										
05 02 - Markets (1)	3 311	3 311	-689	-670	-641	-612	-589	-601	-612	-4 413
05 03 - Direct aids (before capping) (2)	42 170	42 535	-460	-492	-534	-577	-617	-617	-617	-3 913
05 03 - Direct aids – Estimated product of capping to be			0	-164	-172	-185	-186	-186	-186	-1 078
05 04 - Rural development (before capping)	14 817	14 451	4	4	4	4	4	4	4	28
05 04 - Rural development – Estimated product of capping to be			0	164	172	185	186	186	186	1 078
05 07 01 06 - Accounting clearance	-69	-69	69	69	69	69	69	69	69	483
Total	**60 229**	**60 229**	**-1 076**	**-1 089**	**-1 102**	**-1 115**	**-1 133**	**-1 144**	**-1 156**	**-7 815**
NET BUDGET after assigned revenue			**-1 145**	**-1 158**	**-1 171**	**-1 184**	**-1 202**	**-1 213**	**-1 225**	**-8 298**

Notes:

(1) For 2013, preliminary estimate based on Draft Budget 2012 taking into account legal adjustments already agreed for 2013 (e.g. wine ceiling, abolition of potato starch premium, dried fodder) as well as some foreseen developments. For all years, the estimates assume that there will be no additional financing need for support measures due to market disturbances or crises.

(2) The 2013 amount includes an estimate of wine grubbing-up 2012.

Table 4: Calculation of the financial impact of the CAP reform proposals as regards CAP market-related expenditure

In million EUR (current prices)

BUDGET YEAR		Legal base	Estimated needs	Changes to 2013							
			2013 (1)	2014	2015	2016	2017	2018	2019	2020	TOTAL 2014-2020
Exceptional measures: streamlined and extended scope of legal base		Art. 154, 155, 156	pm	pm	pm	pm	pm	pm	pm	pm	pm
Removal of intervention for durum wheat and sorghum		ex Art.10	pm	-	-	-	-	-	-	-	-
Food programmes for most deprived	(2)	Ex-Art. 27 of Reg 1234/2007	500.0	-500.0	-500.0	-500.0	-500.0	-500.0	-500.0	-500.0	-3 500.0
Private storage (Flax fibre)		Art. 16	N.A.	pm	pm	pm	pm	pm	pm	pm	Pm
Aid for cotton - Restructuring	(3)	ex Art. 5 of Reg. 637/2008	10.0	-4.0	-4.0	-4.0	-4.0	-4.0	-4.0	-4.0	-28.0
Setting-up aid for F&V producer groups		ex Art. 117	30.0	0.0	0.0	0.0	-15.0	-15.0	-30.0	-30.0	-90.0
School fruit scheme		Art. 21	90.0	60.0	60.0	60.0	60.0	60.0	60.0	60.0	420.0
Abolition hops PO		ex Art. 111	2.3	-2.3	-2.3	-2.3	-2.3	-2.3	-2.3	-2.3	-15.9
Optional private storage for skimmed-milk powder		Art. 16	N.A.	pm	pm	pm	pm	pm	pm	pm	pm
Abolition aid for use of skimmed milk/SMP as feedingstuff/casein and use of casein		ex Art. 101, 102	pm	-	-	-	-	-	-	-	-
Optional private storage for butter	(4)	Art. 16	14.0	[-1.0]	[-14.0]	[-14.0]	[-14.0]	[-14.0]	[-14.0]	[-14.0]	[-85.0]
Abolition milk promotional levy		ex Art. 309	pm	-	-	-	-	-	-	-	-
TOTAL 05 02 **Net effect of reform proposals (5)**				**-446.3**	**-446.3**	**-446.3**	**-461.3**	**-461.3**	**-476.3**	**-476.3**	**-3 213.9**

Notes:

(1) The 2013 needs are estimated based on the Commission's Draft Budget 2012, except for (a) the fruit & vegetables sectors where the needs are based on the financial statement of the respective reforms and (b) any legal changes already agreed.

(2) The 2013 amount corresponds to Commission proposal COM(2010)486. As from 2014, the measure will be financed within Heading 1.

(3) The envelope for the cotton restructuring programme for Greece (4 million EUR/year) will be transferred to rural development as from 2014. The envelope for Spain (6.1 million EUR/year) will go to the Single Payment Scheme as from 2018 (already decided).

(4) Estimated effect in case of non-application of the measure.

(5) In addition to expenditure within chapters 05 02 and 05 03, it is anticipated that direct expenditure within chapters 05 01, 05 07 and 05 08 will be financed by revenue that will be assigned to the EAGF.

Table 5: Calculation of the financial impact of the CAP reform proposals as regards direct aids

In million EUR (current prices)

BUDGET YEAR	Legal base	Estimated needs		Changes to 2013							
		2013 (1)	2013 adjusted (2)	2014	2015	2016	2017	2018	2019	2020	TOTAL 2014-2020
Direct aids		42 169.9	42 535.4	341.0	381.1	589.6	768.0	733.2	733.2	733.2	4 279.3
- Changes already decided:											
Phasing-in EU 12				875.0	1 133.9	1 392.8	1 651.6	1 651.6	1 651.6	1 651.6	10 008.1
Cotton restructuring				0.0	0.0	0.0	0.0	6.1	6.1	6.1	18.4
Health Check				-64.3	-64.3	-64.3	-90.0	-90.0	-90.0	-90.0	-552.8
Previous reforms				-9.9	-32.4	-32.4	-32.4	-32.4	-32.4	-32.4	-204.2
- Changes due to new CAP reform proposals				-459.8	-656.1	-706.5	-761.3	-802.2	-802.2	-802.2	-4 990.3
Of which: capping				0.0	-164.1	-172.1	-184.7	-185.6	-185.6	-185.6	-1 077.7
TOTAL 05 03											
Net effect of reform proposals				**-459.8**	**-656.1**	**-706.5**	**-761.3**	**-802.2**	**-802.2**	**-802.2**	**-4 990.3**
TOTAL EXPENDITURE		**42 169.9**	**42 535.4**	**42 876.4**	**42 916.5**	**43 125.0**	**43 303.4**	**43 268.7**	**43 268.7**	**43 268.7**	**302 027.3**

Notes:

(1) The 2013 amount includes an estimate of wine grubbing-up 2012.

(2) Taking into account legislative changes already agreed, i.e. voluntary modulation for the UK and Article 136 "unspent amounts" will cease to apply by the end of 2013.

Table 6: Components of direct aids

In million EUR (current prices)

BUDGET YEAR	2015	2016	2017	2018	2019	2020	TOTAL 2014-2020
Annex II	**42 407.2**	**42 623.4**	**42 814.2**	**42 780.3**	**42 780.3**	**42 780.3**	**256 185.7**
Payment for agricultural practices beneficial for the climate and environment (30%)	12 866.5	12 855.3	12 844.3	12 834.1	12 834.1	12 834.1	77 068.4
Maximum that can be allocated to the Payment for young farmers (2%)	857.8	857.0	856.3	855.6	855.6	855.6	5 137.9
Basic Payment Scheme, Payment for areas with Natural Constraints, Voluntary Coupled Support	28 682.9	28 911.1	29 113.6	29 090.6	29 090.6	29 090.6	173 979.4
Maximum that can be taken from the above lines to finance the Small Farmer Scheme (10%)	4 288.8	4 285.1	4 281.4	4 278.0	4 278.0	4 278.0	25 689.3
Wine transfers included in Annex II[18]	159.9	159.9	159.9	159.9	159.9	159.9	959.1
Capping	**-164.1**	**-172.1**	**-184.7**	**-185.6**	**-185.6**	**-185.6**	**-1 077.7**
Cotton	**256.0**	**256.3**	**256.5**	**256.6**	**256.6**	**256.6**	**1 538.6**
POSEI/Small Aegean Islands	**417.4**	**417.4**	**417.4**	**417.4**	**417.4**	**417.4**	**2 504.4**

[18] Direct aids for the period 2014-2020 include an estimate of the wine transfers to SPS based on the decisions taken by the Member States for 2013.

Table 7: Calculation of the financial impact of the CAP reform proposals as regards transitional measures for granting direct aids in 2014

In million EUR (current prices)

BUDGET YEAR	Legal base	Estimated needs		Changes to 2013
		2013 (1)	2013 adjusted	2014 (2)
Annex IV to Council Regulation (EC) No 73/2009		40 165.0	40 530.5	541.9
Phasing-in EU 10				616.1
Health Check				-64.3
Previous reforms				-9.9
TOTAL 05 03				
TOTAL EXPENDITURE		**40 165.0**	**40 530.5**	**41 072.4**

Notes:

(1) The 2013 amount includes an estimate of wine grubbing-up 2012.

(2) The extended net ceilings include an estimate of the wine transfers to SPS based on the decisions taken by the Member States for 2013.

Table 8: Calculation of the financial impact of the CAP reform proposals as regards rural development

In million EUR (current prices)

BUDGET YEAR		Legal base	Rural development allocation		Changes to 2013							
			2013	2013 adjusted (1)	2014	2015	2016	2017	2018	2019	2020	TOTAL 2014-2020
Rural development programmes			14 788.9	14 423.4								
Aid for cotton - Restructuring	(2)				4.0	4.0	4.0	4.0	4.0	4.0	4.0	28.0
Product of capping of direct aids						164.1	172.1	184.7	185.6	185.6	185.6	1 077.7
RD envelope excluding technical assistance	(3)				-8.5	-8.5	-8.5	-8.5	-8.5	-8.5	-8.5	-59.4
Technical assistance	(3)		27.6	27.6	8.5	3.5	3.5	3.5	3.5	3.5	3.5	29.4
Prize for local innovative co-operation projects	(4)		N.A.	N.A.	0.0	5.0	5.0	5.0	5.0	5.0	5.0	30.0

TOTAL 05 04											
Net effect of reform proposals				**4.0**	**168.1**	**176.1**	**188.7**	**189.6**	**189.6**	**189.6**	**1 105.7**
TOTAL EXPENDITURE (before capping)		**14 816.6**	**14 451.1**	**14 455.1**	**14 455.1**	**14 455.1**	**14 455.1**	**14 455.1**	**14 455.1**	**14 455.1**	**101 185.5**
TOTAL EXPENDITURE (after capping)		**14 816.6**	**14 451.1**	**14 455.1**	**14 619.2**	**14 627.2**	**14 639.8**	**14 640.7**	**14 640.7**	**14 640.7**	**102 263.2**

Notes:

(1) Adjustments in line with the existing legislation only applicable until the end of financial year 2013.

(2) The amounts in table 1 (section 3.1) are in line with those in the Commission communication "A Budget for Europe 2020" (COM(2011)500 final). However, it remains to be decided if the MFF will reflect the transfer that is proposed for the envelope of one Member State of the cotton national restructuring programme to rural development as from 2014, implying an adjustment (4 million EUR per year) of the amounts for respectively the EAGF sub-ceiling and for pillar 2. In table 8 above, the amounts have been transferred, irrespective of them being reflected in the MFF.

(3) The 2013 amount for technical assistance was fixed based on the initial rural development envelope (transfers from pillar 1 not included).

Technical assistance for 2014-2020 is fixed at 0.25% of the total rural development envelope.

(4) Covered by the amount available for technical assistance.

Heading of multiannual financial framework:	5	" Administrative expenditure "

EUR million (to 3 decimal places)

Note: It is estimated that the legislative proposals will have no impact on appropriations of an administrative nature, i.e. it is the intention that the legislative framework can be implemented with the present level of human resources and administrative expenditure.

		Year **2014**	Year **2015**	Year **2016**	Year **2017**	Year **2018**	Year **2019**	Year **2020**	**TOTAL**
DG: AGRI									
• Human resources		136.998	136.998	136.998	136.998	136.998	136.998	136.998	**958.986**
• Other administrative expenditure		9.704	9.704	9.704	9.704	9.704	9.704	9.704	**67.928**
TOTAL DG AGRI	Appropriations	146.702	146.702	146.702	146.702	146.702	146.702	146.702	**1 026.914**

TOTAL appropriations under HEADING 5 of the multiannual financial framework	(Total commitments = Total payments)	146.702	146.702	146.702	146.702	146.702	146.702	146.702	**1 026.914**

EUR million (to 3 decimal places)

	Year **N**[19]	Year **N+1**	Year **N+2**	Year **N+3**	… enter as many years as necessary to show the duration of the impact (see point 1.6)	**TOTAL**

[19] Year N is the year in which implementation of the proposal/initiative starts.

TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework	Commitments								
	Payments								

3.2.2. *Estimated impact on operational appropriations*

– ☐ The proposal/initiative does not require the use of operational appropriations

– x The proposal/initiative requires the use of operational appropriations, as explained below:

Commitment appropriations in EUR million (to 3 decimal places)

Indicate objectives and outputs ⇩			Year **2014**		Year **2015**		Year **2016**		Year **2017**		Year **2018**		Year **2019**		Year **2020**		**TOTAL**	
	OUTPUTS																	
	Type of output	Average cost of the output	Number of outputs	Cost	Number of outputs	Cost	Number of outputs	Cost	Number of outputs	Cost	Number of outputs	Cost	Number of outputs	Cost	Number of outputs	Cost	Total number of outputs	Total cost
SPECIFIC OBJECTIVE No 5: To improve the competitiveness of the agricultural sector and enhance its value share in the food chain																		
- Fruit & vegetables: Marketing through producer organisations (POs)[20]	Propor-tion of the value of produc-tion marke-ted through POs in value of			830.0		830.0		830.0		830.0		830.0		830.0		830.0		5 810.0

20 Based on past execution and estimates in the 2012 Draft Budget. For the producer organisations in the fruit & vegetables sector, the amounts are in line with the reform of that sector and, as already indicated in the activity statements of the 2012 Draft Budget, outputs will only be known in late 2011.

	the total produc-tion																	
- Wine: National envelope – Restructuring20	Number of hectares		54 326	475.1	54 326	475.1	54 326	475.1	54 326	475.1	54 326	475.1	54 326	475.1	54 326	475.1		3 326.0
- Wine: National envelope – Investments20			1 147	178.9	1 147	178.9	1 147	178.9	1 147	178.9	1 147	178.9	1 147	178.9	1 147	178.9		1 252.6
- Wine: National envelope – By-product distillation20	Hecto-litres		700 000	98.1	700 000	98.1	700 000	98.1	700 000	98.1	700 000	98.1	700 000	98.1	700 000	98.1		686.4
- Wine: National envelope – Potable alcohol20	Number of hectares		32 754	14.2	32 754	14.2	32 754	14.2	32 754	14.2	32 754	14.2	32 754	14.2	32 754	14.2		14.2
- Wine: National envelope – Use of concentrated must20	Hecto-litres		9	37.4	9	37.4	9	37.4	9	37.4	9	37.4	9	37.4	9	37.4		261.8
- Wine: National envelope – promotion20				267.9		267.9		267.9		267.9		267.9		267.9		267.9		1 875.3
- Other				720.2		739.6		768.7		797.7		820.3		808.8		797.1		5 452.3
Sub-total for specific objective N°5				2 621.8		2 641.2		2 670.3		2 699.3		2 721.9		2 710.4		2 698.7		18 763.5

SPECIFIC OBJECTIVE No 6: To contribute to farm incomes and limit farm income variability																		
- Direct income support[21]	Number of hectares paid (in million)		161.014	42 876.4	161.014	43 080.6	161.014	43 297.1	161.014	43 488.1	161.014	43 454.3	161.014	43 454.3	161.014	43 454.3	161.014	303 105.0
Sub-total for specific objective N°6				42 876.4		43 080.6		43 297.1		43 488.1		43 454.3		43 454.3		43 454.3		303 105.0
TOTAL COST																		

Note: For specific objectives 1 to 4 and 7 to 10, the outputs are still to be determined (see section 1.4.2 above).

[21] Based on potentially eligible areas for 2009.

3.2.3. *Estimated impact on appropriations of an administrative nature*

3.2.3.1. Summary

– ☐ The proposal/initiative does not require the use of administrative appropriations

– x The proposal/initiative requires the use of administrative appropriations, as explained below:

EUR million (to 3 decimal places)

	Year **2014**	Year **2015**	Year **2016**	Year **2017**	Year **2018**	Year **2019**	Year **2020**	**TOTAL**
HEADING 5 of the multiannual financial framework								
Human resources [22]	136.998	136.998	136.998	136.998	136.998	136.998	136.998	**958.986**
Other administrative expenditure	9.704	9.704	9.704	9.704	9.704	9.704	9.704	**67.928**
Subtotal HEADING 5 of the multiannual financial framework								
Outside HEADING 5 of the multiannual financial framework								
Human resources								
Other expenditure of an administrative nature								
Subtotal outside HEADING 5 of the multiannual financial framework								
TOTAL	**146.702**	**146.702**	**146.702**	**146.702**	**146.702**	**146.702**	**146.702**	**1 026.914**

[22] Based on an average cost of 127 000 EUR for establishment plan post of officials and temporary agents.

3.2.3.2. Estimated requirements of human resources

- ☐ The proposal/initiative does not require the use of human resources
- x The proposal/initiative requires the use of human resources, as explained below:

Note: It is estimated that the legislative proposals will have no impact on appropriations of an administrative nature, i.e. it is the intention that the legislative framework can be implemented with the present level of human resources and administrative expenditure. The figures for the period 2014-2020 are based on the situation for 2011.

Estimate to be expressed in full amounts (or at most to one decimal place)

		Year **2014**	Year **2015**	Year **2016**	Year **2017**	Year **2018**	Year **2019**	Year **2020**
• Establishment plan posts (officials and temporary agents)								
XX 01 01 01 (Headquarters and Commission's Representation Offices)		1 034	1 034	1 034	1 034	1 034	1 034	1 034
XX 01 01 02 (Delegations)		3	3	3	3	3	3	3
XX 01 05 01 (Indirect research)								
10 01 05 01 (Direct research)								
• External personnel (in Full Time Equivalent unit: FTE)[23]								
XX 01 02 01 (CA, INT, SNE from the "global envelope")		78	78	78	78	78	78	78
XX 01 02 02 (CA, INT, JED, LA and SNE in the delegations)								
XX 01 04 *yy*	- at Headquarters							
	- in delegations							
XX 01 05 02 (CA, INT, SNE - Indirect research)								
10 01 05 02 (CA, INT, SNE - Direct research)								
Other budget lines (specify)								
TOTAL[24]		**1 115**	**1 115**	**1 115**	**1 115**	**1 115**	**1 115**	**1 115**

XX is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary

23 CA= Contract Agent; INT= agency staff ("*Intérimaire*"); JED= "*Jeune Expert en Délégation*" (Young Experts in Delegations); LA= Local Agent; SNE= Seconded National Expert;

24 This does not include the sub-ceiling on budget line 05.010404.

with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

Officials and temporary agents	
External personnel	

3.2.4. Compatibility with the current multiannual financial framework

– x Proposal/initiative is compatible with the **PROPOSALS FOR THE 2014-2020** multiannual financial framework.

– ☐ Proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.

– ☐ Proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework.

3.2.5. Third-party contributions

– The proposal/initiative does not provide for co-financing by third parties

– X The proposal regarding rural development (EAFRD) provides for the co-financing estimated below:

Appropriations in EUR million (to 3 decimal places)

	Year **2014**	Year **2015**	Year **2016**	Year **2017**	Year **2018**	Year **2019**	Year **2020**	Total
Specify the co-financing body	MS	MS	MS	MS	MS	MS	MS	MS
TOTAL appropriations cofinanced [25]	To be determined	To be determined	To be determined	To be determined	To be determined	To be determined	To be determined	To be determined

[25] This will be set out in the rural development programmes to be submitted by the Member States.

3.3. Estimated impact on revenue

– x Proposal/initiative has no financial impact on revenue.

– ☐ Proposal/initiative has the following financial impact:

– x on own resources

– x on miscellaneous revenue

EUR million (to 3 decimal places)

Budget revenue line:	Appropriations available for the ongoing budget year	Impact of the proposal/initiative[26]						
		Year **N**	Year **N+1**	Year **N+2**	Year **N+3**	… insert as many columns as necessary in order to reflect the duration of the impact (see point 1.6)		

For miscellaneous assigned revenue, specify the budget expenditure line(s) affected.

See tables 2 and 3 in section 3.2.1.

[26] As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 25% for collection costs.